

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- **Retail sales** rose 1.5% between August and September, an annual rate of 20.1%, and were 7.5% above the level in September 2003. However, the overwhelming majority of the monthly increase reflected higher sales of motor vehicles. Excluding motor vehicles and parts, retail sales increased only 0.6% in September, for an annual rate of slightly less than 8.0%. Compared with one-year ago, retail sales showed the largest increases at gasoline stations and at building supply establishments, which were up 15.1% and 14.4%, respectively, from September 2003.
- **Personal income** increased at a 6.0% annual rate in the second quarter of 2004, after growing at a 5.0% rate during the first quarter. Increases in dividend income and proprietor's income comprised the two fastest growing segments of personal income, increasing at annual rates of 10.1% and 14.1%, respectively. Wage and salary income increased at an annual rate of 5.0%.
- **Short-term interest rates** continued to rise in September, with the rate on 3-month Treasury bills moving from 1.48% in August to 1.65% in September. However, **long-term interest rates** fell for the fourth month in a row, with the 10-year Treasury bill at 4.13% and the rate of Moody's Aaa rated corporate bonds at 5.46%, the lowest levels since March 2004 and below the year-ago levels of 4.27% and 5.72%, respectively.
- Nationally, **wage and salary employment** increased by 96,000 jobs between August and September. A significant portion of the increase in employment reflected gains in state government education (10,000 jobs), local government (14,000 jobs), and employment services (35,000 jobs). Manufacturing employment declined by 18,000 jobs.



- **Michigan personal income** rose 1.3% in the second quarter of 2004, not quite reversing the 1.6% decline reported for the first quarter. Michigan's increase ranked 35th nationally, but was above the levels reported in all other Great Lakes states, except Wisconsin, which ranked 34th. Most of the fastest growing states experienced above-average increases in dividend income and transfer payments.
- **Michigan's payroll employment** fell by 15,000 jobs between August and September, almost completely reversing the 20,000-increase reported in August, and was 53,000 jobs below the level one year ago. The largest monthly declines were in manufacturing and leisure/hospitality services, which fell by 6,000 and 10,000 jobs, respectively. On a year-over-year basis, manufacturing employment was down 16,000 jobs; trade, transportation, and utilities employment was down 17,000 jobs; and government employment was down 13,000 jobs.
- **Michigan motor vehicle production** increased between August and September but was still substantially below year-ago levels. Compared with September 2003, Michigan automobile production was down 20.2%, while Michigan light truck production was 4.5% lower.



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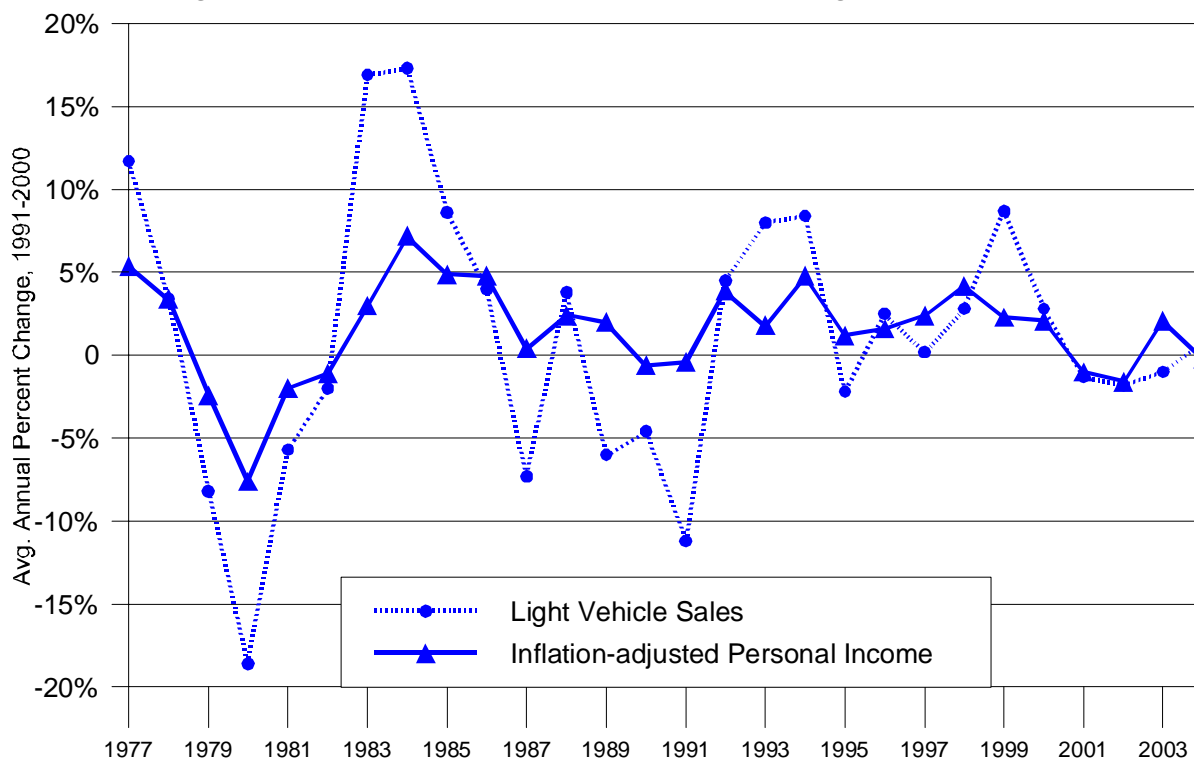
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Sept. 2004	Aug. 2004	Sept. 2003	Change from July		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	147,483	147,704	146,610	(221)	(0.1)%	873	0.6%
Employment	139,480	139,681	137,644	(201)	(0.1)	1,836	1.3
Unemployment	8,003	8,022	8,966	(19)	(0.2)	(963)	(10.7)
Unemployment Rate	5.4%	5.4%	6.1%	---	---	---	---

Michigan	Sept. 2004	Aug. 2004	Sept. 2003	Change from July		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,061	5,053	5,058	8	0.1%	2	0.0%
Employment	4,718	4,715	4,675	3	0.1	43	0.9
Unemployment	343	338	383	4	1.3	(41)	(10.7)
Unemployment Rate	6.8%	6.7%	7.6%	---	---	---	---

Source: U.S. Department of Labor, Bureau of Labor Statistics

Light Vehicle Sales and Michigan Personal Income, 1977-2004
Michigan Incomes Follow the Fortunes of Light Vehicle Sales



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Sept. 2004	Aug. 2004	Sept. 2003	<u>Change from August</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,355	4,370	4,407	(15)	(0)%	(53)	(1)%
Goods Producing Industries	898	905	916	(7)	(1)	(19)	(2)
Natural Resources & Mining	8	8	8	(0)	(1)	(1)	(6)
Construction	189	190	191	(1)	(1)	(2)	(1)
Manufacturing	701	707	717	(6)	(1)	(16)	(2)
Transportation Equipment	261	267	277	(6)	(2)	(17)	(6)
Service Producing Industries	3,457	3,465	3,491	(8)	(0)	(34)	(1)
Trade, Transportation & Utilities	798	800	814	(2)	(0)	(17)	(2)
Information	66	67	70	(1)	(1)	(4)	(6)
Financial Activities	214	214	219	(0)	(0)	(5)	(2)
Professional & Business Services	588	593	587	(5)	(1)	1	0
Education & Health Services	546	548	547	(2)	(0)	(1)	(0)
Leisure & Hospitality Services	398	407	401	(10)	(2)	(3)	(1)
Other Services	179	175	172	4	2	7	4
Government	669	661	681	8	1	(13)	(2)

Source: Bureau of Labor Statistics, U.S. Department of Labor

Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Sept. 2004	Year Ago	Percent Change	Sept. 2004	Year Ago	Percent Change
Nat. Resources, Mining & Construction	38.4	40.2	(4.5)%	842.88	881.99	(4.4)%
Manufacturing	42.4	42.9	(1.2)	928.98	931.36	(0.3)
Durable Goods	43.3	43.9	(1.4)	1,015.82	1,018.92	(0.3)
Motor Vehicle Manufacturing	44.3	46.1	(3.9)	1,368.43	1,427.26	(4.1)
Motor Vehicle Parts Manufacturing	45.2	45.4	(0.4)	1,258.82	1,232.61	2.1
Nondurable Goods	39.0	38.5	1.3	590.07	559.02	5.6
Wholesale Trade	38.3	36.2	5.8	720.04	669.70	7.5
Retail Trade	30.3	29.3	3.4	347.84	322.01	8.0
Grocery Stores	25.8	26.0	(0.8)	229.10	237.64	(3.6)
General Merchandise Stores	30.1	28.8	4.5	310.63	287.14	8.2
Information	36.4	31.5	15.6	633.00	515.97	22.7
Financial Activities	32.6	35.8	(8.9)	527.14	570.65	(7.6)
Prof. & Business Services	35.9	34.2	5.0	663.79	544.46	21.9
Health Care & Social Assistance	35.0	34.2	2.3	565.95	543.78	4.1
Leisure & Hospitality	23.0	23.2	(0.9)	189.98	189.54	0.2
Auto. Repair & Maintenance	34.7	35.0	(0.9)	557.28	547.05	1.9
Personal & Laundry Services	27.5	26.7	3.0	349.25	342.83	1.9

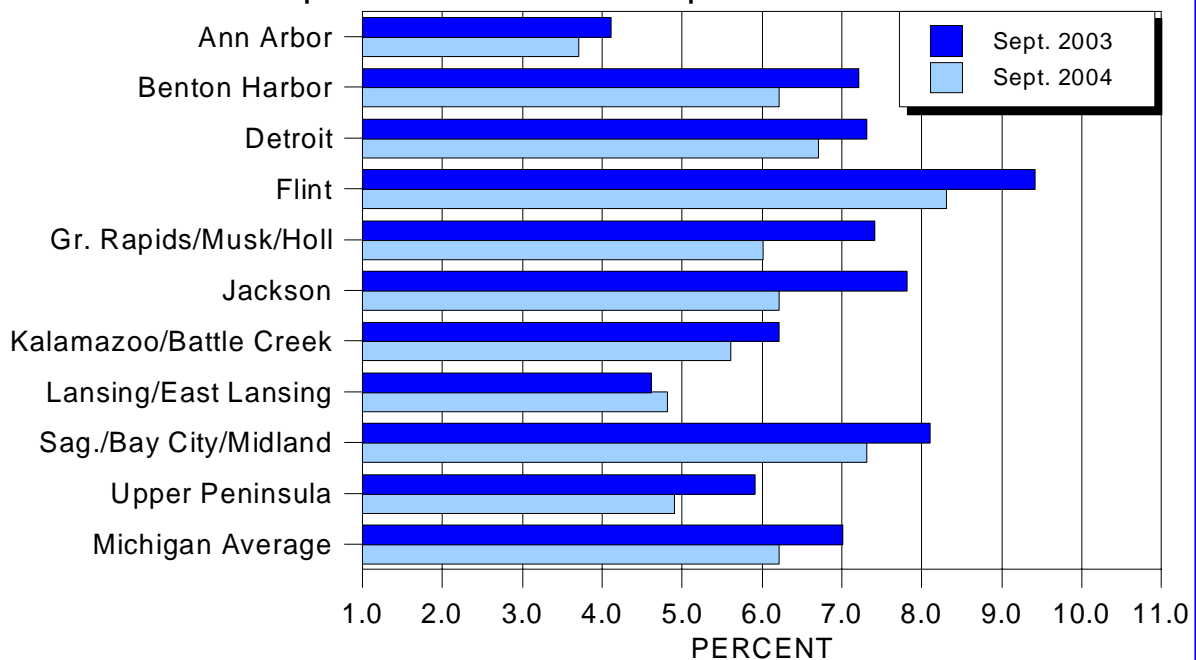
Source: U.S. Department of Labor, Bureau of Labor Statistics

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Sept. 2004	Aug. 2004	July 2004	Sept. 2003
Metropolitan Statistical Areas				
Ann Arbor	3.7%	3.6%	4.4%	4.1%
Benton Harbor	6.2	6.5	7.2	7.2
Detroit	6.7	6.6	8.2	7.3
Flint	8.3	8.3	10.2	9.4
Grand Rapids	6.0	6.0	7.0	7.4
Jackson	6.2	6.4	7.2	7.8
Kalamazoo-Battle Creek	5.6	5.6	6.4	6.2
Lansing-East Lansing	4.8	4.8	5.9	4.6
Saginaw-Bay City-Midland	7.3	7.2	8.1	8.1
Multi-County Areas				
Northeast Lower Michigan	6.1	6.3	7.0	7.5
Northwest Lower Michigan	5.6	5.4	6.0	6.4
Upper Peninsula	4.9	5.2	5.4	5.9
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.2	6.2	7.5	7.0
Source: Michigan Department of Labor and Economic Growth.				*Preliminary.

Michigan Regional Unemployment Rates

September 2003 and September 2004

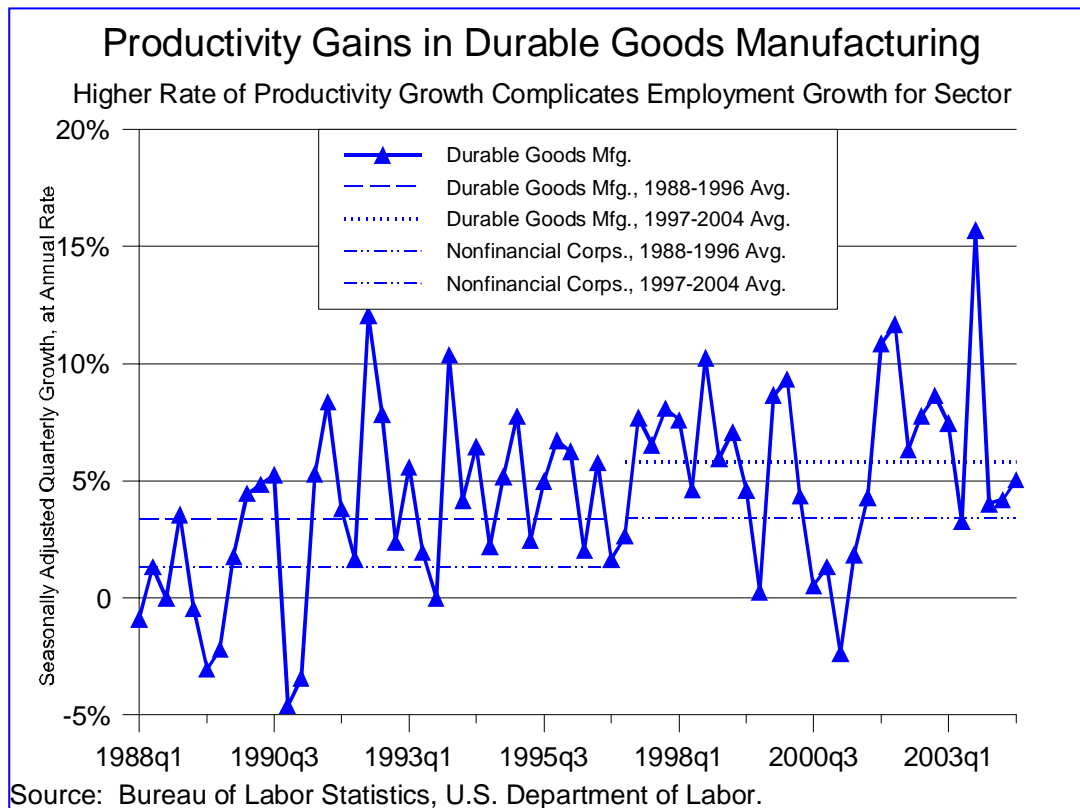


Source: Michigan Department of Labor and Economic Growth

MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units)

	Sept. 2004	Aug. 2004	July 2004	June 2004	Year Ago Aug.	Percent Change From:	
						Sept./Aug.	Sept. 2004/ Sept. 2003
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,331	7,153	7,504	7,052	7,618	2.5	(3.8)
Domestics	5,261	5,153	5,450	4,934	5,528	2.1	(4.8)
Imports	2,070	2,000	2,054	2,118	2,090	3.5	(1.0)
Import Share	28.2%	28.0%	27.4%	30.0%	27.4%	----	----
Light Trucks	10,133	9,404	9,694	8,318	9,314	7.8	8.8
Domestics	8,912	8,214	8,409	7,104	8,063	8.5	10.5
Imports	1,221	1,190	1,285	1,214	1,251	2.6	(2.4)
Import Share	12.0%	12.7%	13.3%	14.6%	13.4%	----	----
Heavy Trucks	446	431	440	395	345	3.5	29.3
Total	17,910	16,988	17,638	15,765	17,277	5.4	3.7
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,310	4,298	4,136	3,942	4,954	0.3	(13.0)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,234	1,131	1,175	1,110	1,546	9.1	(20.2)
Trucks	1,484	1,260	1,217	1,226	1,555	17.8	(4.5)
Total	2,719	2,392	2,392	2,337	3,101	13.7	(12.3)
Michigan Production as % of U.S.	21.9%	19.9%	15.9%	20.1%	23.6%	----	----
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,449	1,431	1,433	1,623	1,465	1.3	(1.1)
Days Supply	58	55	55	59	58	5.5	0.0
Total Truck	2,233	2,261	2,283	2,609	1,952	(1.2)	14.4
Days Supply	69	73	72	85	67	(5.5)	3.0

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	Sept.	131.1	130.8	127.8	0.2%	2.6%
Coincident Index ¹⁾ (1992=100)	Sept.	143.3	143.1	138.2	0.2	3.8
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Sept.	1,898	2,020	1,922	(6.0)	(1.2)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Sept.	\$308.6	\$303.9	\$287.1	1.5	7.5
Industrial Production Index 3) (1997=100, seasonally adjusted)	Sept.	116.7	116.5	111.5	0.1	4.6
Capacity Utilization 3) (% of total capacity, seasonally adjusted)	Sept.	77.2	77.2	74.9	0.0	3.1
Consumer Price Index 4) (1982-84=100)						
U.S. (seasonally adjusted)	Sept.	189.7	189.4	185.1	1.9	2.5
Detroit (not seasonally adjusted)	Aug.	186.8	185.8	183.6	3.3	1.7
Interest Rates						
3-month Treasury Bill 3)	Sept.	1.65%	1.48%	0.95%	---	---
Corporate Aaa Bonds 3)	Sept.	5.46%	5.65%	5.72%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	3rd Qtr. 2004	\$10,883.4	\$10,784.7	\$10,472.8	3.7	3.9
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Sept 2004	\$1,936.0	\$1,720.3	\$1,891.2	N/M	2.4

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

